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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1945

No. ~~997,998~~ 70-71

EDWARD KATZINGER COMPANY,

Petitioner,

vs.

CHICAGO METALLIC MFG. COMPANY,

Respondent.

REPLY TO PETITION FOR WRIT OF CERTIORARI

MAX W. ZABEL,
EPHRAIM BANNING,
Counsel for Respondent.

The Scheffer Press, Inc. DEL. 7171

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No. 997, 998

EDWARD KATZINGER COMPANY,
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Supplemental Statement of the Matter Involved

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioner's statement of the matter involved as found on pp. 2, 3 and 4 of its brief is not strictly accurate or complete with regard to the following particulars:

(a) The alleged improved baking qualities are found not only in Metallic's first manufactured Bakerex line of ware which was a copy of the Jackson patent, but also in its later manufactured Bake-King line which was of different character, always asserted by

Metallic to be non-infringing (as so stated in Petitioner's brief, line 18, p. 3), and so held by the Final Decree (par. 4, p. 16, Rec. 998).

(b) Non-smooth baking ware was not new with Jackson, as see the Wojidow patent, Rec. 997, p. 178, the Ledig patent, p. 175, and the Palmer patent, No. 319,306 on which the Court of Appeals (Rec. 998, p. 35) primarily based its finding of invalidity of the Jackson patent. We do not seem to be able to find this controlling Palmer patent in the record submitted to this Court; said patent was not before the District Court at the first trial, but was introduced at the second trial. It had also erroneously been omitted from the printed record of the second appeal to the Circuit Court of Appeals.

(c) With the Palmer patent before it at the second hearing, and with the Circuit Court of Appeals' decision denying the existence of an estoppel to contest the patent, the District Court at the second hearing held the patent invalid (Rec. 998, p. 15).

(d) The finding of the District Court referred to in the first paragraph (Pet. Brief, p. 4) occurred at the *first* trial before said Court.

(e) We cannot agree with the statement at the beginning of the second paragraph (Pet. Brief, p. 4) that the price restriction of the contract which also nullified the estoppel was not enforced. A stipulation filed at the beginning of the first trial before the District Court contained the following passage: "In pursuance of the license agreement Metallic did, for a period of two years more or less, exercise the license therein given by making certain tinware products *and selling same at the prescribed minimum prices*, and paying therefor the applicable royalties." (Rec. 997, p. 2). No amount of self-serving declarations by an officer of Petitioner in later oral testimony to the effect that if called upon he would not have enforced the price restriction, can change this situation. Respondent paid on its Bakerex line, and had discontinued making it at the time of such testimony. At that time it was making its Bake-King line which it always con-

tended was not an infringement, and which has been so decreed. The manufacture of the earlier Bakerex line was discontinued in June 1939 (Rec. 997, p. 71). This suit was started Feb. 21, 1941.

Coments Re Alleged Questions Involved

We find nothing wrong with Q. 1, p. 6 of Petitioner's brief as a moot question, but it is answered below:

The second question is also not in point. The final decree on which this petition is based has the following provision:

> (4) Defendant's (Petitioner's) charges of *infringement* of patent No. 2,077,757 under its counterclaim directed against Plaintiff's Bake-King tinware, are hereby dismissed for want of equity. (Rec. 998, p. 16). (Emphasis and parenthesis ours).

Since this writ does not concern itself with the propriety of the decree on the question of *infringement* as to Respondent's later Bake-King ware, (see Specification of Error, Pet. Brief, p. 10), it must be taken as settled by the decree that such ware does not infringe the Jackson patent. As it does not infringe, Petitioner had the right to cancel the license under par. 14 of the contract (Rec. 997, p. 16), and *no estoppel ever arose,* since it had not made or sold its earlier Bakerex line after the cancellation of the contract, nor any other infringing line. Consequently question 2 falls as not applicable to the case, irrespective of the proposition as to whether it is sound as a matter of public policy under the Anti-trust acts to continue such an estoppel after contract cancellation. If Petitioner had here placed the matter of infringement in issue, then this Court as a preliminary would have had to decide such point before reaching the questions presented.

The same is true as to question 3, because there was no estoppel to enforce (see above as to Q. 2).

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Brief In Support of Reply to Petition For Writ of Certiorari

It would seem that what we have said heretofore in connection with the "Statement of the Matter Involved" and "Questions Involved" fully answers the request for the issuance of the writ of certiorari. It may be well however just to recapitulate the situation as between the parties. Petitioner received a patent and Respondent took a license thereunder. Respondent for about two years made articles conforming to the patent and paid therefor the royalties provided. *It also maintained the minimum sales price.* At the expiration of the two year period Respondent made a second line of tinware called Bake-King which it contended was *not an infringement* of the Jackson patent and which has been so held by the final decree. At or about the time that Respondent began the manufacture of its non-infringing line, but after it had discontinued its Bakerex line, it

cancelled the license agreement. Under Article 14 of the contract (Record 997, p. 16) no estoppel arose against Respondent, provided the new line did not infringe the patent. The final decree holds non-infringement. The manufacture of Bakerex was discontinued in June 1939 (Rec. 997, bottom of p. 70, F. 128), the last sale was made in March, 1940 (Rec. 997, p. 73, F. 132), and the contract was cancelled Feb. 20, 1941 (Rec. 997, p. 22, par. 7).

The suit was originally initiated by Respondent filing a bill for a declaratory judgment to have the Jackson patent declared invalid, and as an answer to that bill Petitioner counterclaimed on the patent and contract, holding both sets of Respondent's devices, namely the earlier Bakerex line and the later Bake-King line, as infringements. Regardless of any estoppel, Respondent had the right to a determination of the question of infringement as to the later (Bake-King) line. In this said counterclaim the license agreement was pleaded (Record 997, p. 22) and it was furthermore demanded (Record 997, p. 9) "that Chicago Metallic should be required to pay the royalties specified in said contract Exhibit 'A' upon all of said changed or new instructions which the court find do embody or are made in accordance with the license patents or applications and on which no royalty has been paid by Chicago Metallic." It is therefore idle for Petitioner to assert in its brief that it did not insist on an adherence to the price restriction, because it pleaded that contract in full and insisted on its performance.

Because an important and controlling patent to Palmer (which, by the way, we do not find incorporated in the Record before this Court) was omitted at the first trial in the District Court, the Court of Appeals gave permission to add such patent to the Record at the second trial and it

was so added. Since the contract was pleaded and since Petitioner insisted on its performance, the Circuit Court of Appeals at the first appeal had no other alternative than to follow the ruling in *Sola v. Jefferson,* 317 U. S. 173. As the question of infringement was not decided by the Circuit Court of Appeals during the first appeal (lines 23 et seq., page 208, Record 997), that question was open for determination by the District Court at the second trial with the prior art taken into consideration. The District Court at the second trial found non-infringement as to the later Bake-King line and invalidity of the Jackson patent. Under these circumstances Respondent had a right to cancel under Article 14 of its contract, because it had discontinued making an infringing article. *Sola v. Jefferson* above therefore does apply insofar as Petitioner attempted to assert the contract with its price restriction; but post-contract estoppel does not lie because when Respondent cancelled, it had discontinued making an infringing article.

The case of *Westinghouse Electric* v. *MacGregor,* 350 Pa. 333. 38 Atl. (2d) 244, does not apply because the plaintiff there sought only an accounting based on sales where price maintenance was absent and for the further reason here that Respondent was not laboring under any estoppel because of its discontinuance of the manufacture of an infringing article. It has no applicability to the instant case at all.

As to the utter unpatentability of the features of the patent in suit please see p. 35, Rec. 998.

Respectfully submited,

Max W. Zabel,
Ephraim Banning,
Counsel for Respondent.

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RESPONDENT'S REPLY TO PETITIONER'S ANSWER.

Petitioner's Answer Seemingly Ignores the Following Facts.

1. The finding of non-infringement in the final decree (R. 998, p. 16) was necessitated because of the claim of estoppel. It is not surplusage or meaningless, nor is it obiter.

It was further necessitated by the claim of Petitioner that Respondent account for the sale of Bake-King ware after cessation of the sale of Bakerex ware and prior to the cancellation of the contract (please see Assignment of Error 5, p. 20, Rec. 998). Bakerex admittedly had been fully accounted for (pp. 22 and 23, Rec. 997).

The finding of infringement at the first District Court trial based upon an erroneous assumption of estoppel and a record vitally incomplete, can have no bearing upon the later procedure. That finding now stands vacated and has been non-existent since Sept. 27, 1944.

Respectfully submitted

MAX W. ZABEL

EPHRAIM BANNING

Counsel for Respondent.